



ALL INDIA BANK EMPLOYEES' ASSOCIATION

Central Office: "PRABHAT NIVAS" Regn. No.2037
Singapore Plaza, 164, Linghi Chetty Street, Chennai-600001
Phone: 2535 1522 Fax: 2535 8853 Web: www.aibea.in
e mail ~ chv.aibea@gmail.com & aibeahq@gmail.com

CIRCULAR NO. 28/136/2019/37

30-8-2019

TO ALL UNITS AND MEMBERS:

Dear Comrades,

CLOSURE OF BANKS – WRONG DECISION, AT A WRONG TIME ILL-CONCEIVED AND ILL-TIMED – NEEDS REVIEW

Merger of Banks is a murder of Banks: In a big bang announcement, Finance Minister has informed the nation today that 10 Public Sector Banks (PNB, Canara Bank, Union Bank of India, Indian Bank, United Bank of India, Allahabad Bank, Syndicate Bank, Corporation Bank, Oriental Bank of Commerce and Andhra Bank) will be merged into 4 Banks. **The meaning is that 6 Banks will now get closed.** Government may call it a merger but in reality it is cold-blooded murder of 6 Banks. Because, after merger, these 6 Banks which have been built up over the years, will disappear from the banking scenario.

Nationalised Banks – pillars of our economy: Banks were nationalised in 1969 with a very clear social and economic objective of broad-basing the economy and its development. In the last 50 years, the nationalised Banks have made a phenomenal contribution in building up a strong economy with a visible social orientation. 8000 Branches have become 90,000 bank branches today, out of which 40,000 branches are located in rural and semi-urban areas which were earlier neglected. Credit to priority sector has boosted our economy resulting in achievements like green revolution and white revolution, industrial progress, job generation, rural development, etc. In 2008 when the entire globe was facing financial turmoil and banking tsunami, Indian banking system was safe because of our public sector banks.

Govt. wants sabke saath, sabko vikas but cuts the lifeline to prosperity: The Government talks of prosperity for all but by closing down these 6 Banks, 6 main arteries of the banking system are being cut off. The victim Banks, viz. Allahabad Bank, Andhra Bank, Corporation Bank, Syndicate Bank, United Bank of India and Oriental Bank of Commerce are very good Banks and have catered to the economic development in the

respective geographic areas in a big way. Suddenly deciding to close these Banks is inappropriate and unwarranted.

Merger of Banks is a diversion from the economic crisis: The country is facing serious economic slowdown and downturn. Banks with their huge resources at their command can play a decisive role to revive the economy. In fact, only last week, our FM has assigned important jobs for our Bank in boosting the economy. The decision to merge and close Banks is a total diversion from these tasks.

Merger is no panacea for problems faced by Banks: Bank themselves face problems due to huge pile of bad loans. While the Public Sector Banks made a total gross profit of Rs. 150,000 crores for the year ended 31-3-2019, because of total provisions towards bad loans, etc. amounting to Rs. 2,16,000 crores, the Banks ended in a net loss of Rs. 66,000 crores. Can anyone believe that merger of Banks will result in recovery of the huge corporate bad loans? Rather, as we have observed after merger in SBI, bad loans in SBI has gone up. Same risk is facing these Banks now.

A Bank which could not detect Nirav Modi fraud for many years, will it be more effective, if it become still bigger? In fact Banks, if they become too big, cannot monitor their business effectively. For example, PNB, could not realise that Nirav Modi was cheating their Bank for many years. If Banks will become further big, it will become more difficult to monitor bad loans and frauds when frauds are already on the increase.

Big Banks are not automatically strong Banks: Too big to fail has been thoroughly proved wrong when in 2008, many big banks all over the world collapsed like a pack of cards. Big bank means big risk, because the big bank can give big loans and take big risks and ruin the bank. What India needs is strong and people-oriented Banks and not necessarily big banks.

In India Banking density is low, we need expansion, not consolidation: Everyone knows that in India, banking density is much low compared to many countries of the world. Thousands of villages are still unbanked. Our Banks need expansion and not amalgamation. There is a huge space for banks to expand and reach the people. When we need more branches to be opened, merger of banks will result in closure of large number of branches. We have seen after merger in SBI that 7000 branches were closed down. In this proposed merger, the closure of branches will be much more. It will be most unwise to reduce the branches in the country.

Big Banks will help Big Corporates, not the common man: There is another side effect of merger and making our Banks bigger. Big Banks will tend to cater to big corporate customer and would tend to ignore the common man. This will defeat the social orientation and objectives of nationalised Banks.

Mergers will reduce branches and ^{shrink} banking services: Mergers will surely end in closure of branches. Closure of branches would mean more number of customer going to lesser number of branches and banking services would be severely affected. Customer population per bank branch will increase and affect efficient customer service.

Globally big banks is a myth: The argument that by merging our Banks, they will become globally bi banks and globally competitive, is a mere myth. Even all our Banks are merged into one Bank, the capital base would be around 4 billion \$ whereas most of the global banks operate with capital base of 60 b \$, 70 b 4, 80 b \$, etc.

Merger of Banks will cut into employment opportunities: In our country, where unemployment is a serious problem of the youth, Banks have been providing employment to thousands of educated youth every year. If Banks are merged and branches are closed, intake of staff will come down and hence employment opportunities will be seriously affected.

Real agenda is to help the corporates: Big Banks will only help the big corporates. It is obvious that the Government, in the name of banking reforms, wants to enable the Banks to help the corporates.

We oppose mergers: Bank employees under the banner of AIBEA oppose the proposed closure of these 6 Banks.

We shall shortly launch agitations and strikes.

With greetings,

Yours comradely,



**C.H.VENKATACHALAM
GENERAL SECRETARY**